

**Internal Revenue Service**  
**P.O. Box 2508**  
**Cincinnati, OH 45201**

**Department of the Treasury**

**Number: 201014069**  
**Release Date: 4/9/2010**

**Date: January 12, 2010**

**Employer Identification Number:**

**Contact Person - ID**

**Contact Telephone Number:**

**UIL 4945.04-04**

**LEGEND**

**T= Name of Organization**  
**U= Name of Scholarship Program**  
**V= City**  
**W= State**  
**x = Grant Amount**  
**y = Grant Amount**

**Dear :**

We have considered your request for advance approval of a grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated August 28, 2009.

Our records indicate that you, T were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and are classified as a private foundation as defined in section 509(a).

Your request states that T will operate a grant-making program identified as U that will be awarding scholarships to eligible individuals to be used for study at secondary and post-secondary educational organization as defined in Section 170(b)(1)(A)(ii) of the Code, including high schools, preparatory schools, colleges, and universities, both private and public-supported. The purpose of the scholarships shall be to provide financial assistance to eligible individuals who demonstrate financial need. The amount of each scholarship will be designed to cover all or a portion of the tuition and fees, books, supplies, room and board, and equipment necessary for courses in instruction. To ensure that qualified potential applicants receive information concerning the availability of the scholarships, T intends to notify designated representatives at V high schools and community organizations offering after-school or mentoring programs for at-risk teen agers in the V community and deliver applications to such designated representatives for distribution to eligible applicants.

In order to initially be eligible for a scholarship, an applicant must (i) reside in the greater-V area or otherwise establish a substantial connection to the V community (for example, a student who was born in V and wishes to return to V to attend college), (ii) be from a low-income family or otherwise establish financial need, and (iii) demonstrate strength of character and initiative in overcoming obstacles and hardships. The applicants shall be evaluated and the scholarships awarded by the Selection Committee on an objective and non-discriminating basis in accordance with the following criteria:

- (i) financial need;
- (ii) academic achievement and aptitude;
- (iii) community service;
- (iv) personal background and interviews with applicant and/or faculty members and referral sources; and
- (v) leadership.

In determining the financial needs of the applicant, the Selection Committee will consider, among other things, evidence of the applicant's ability to meet the expenses of the selected Educational Institution. The Selection Committee may also consider the ability of relatives of the applicant to pay such educational expenses, or such other sources of financing as the Selection Committee may consider appropriate. The Selection Committee may request supplemental information or verification of the financial circumstances describe in the application, including without limitation a copy of the federal income tax return for the applicant and the applicant's parents for the immediately preceding tax year. In evaluating the academic abilities of an applicant, the Selection Committee will consider, among other things, evidence of prior academic performance, performance on tests of scholastic ability and aptitude, and recommendations from previous or current instructors.

The Selection Committee shall initially be comprised of five members – two members of the Board of Directors of T, one staff member of T, and two independent committee members. In order to qualify to be on the Selection Committee, the person must at a minimum have a college degree and demonstrate an interest in providing educational opportunities to disadvantaged individuals and a commitment to the selection of grant recipients on the basis of objective and nondiscriminatory criteria. Each of the five members of the Selection Committee was nominated by a member of the Board of Directors of T. If a vacancy arises in the Selection Committee, nomination for a replacement member will be sought from the members of the Board of Directors of T and will be considered based upon these same factors. No member of the Selection Committee shall derive any private benefit, directly or indirectly, if certain potential recipients are selected over others. No relative of a member of the Selection Committee, or relative of any officer, director, trustee, or substantial contributor (as defined in Section 507(d)(2)(A) of the Code) shall be eligible for financial aid from T. No scholarship will be awarded to any individual who is considered a "disqualified person" as defined in Section 4946(a)(1)(A) of the Code.

The amount of the scholarships will be determined on an annual basis at the discretion of the Selection Committee. T initially plans to award up to ten (10)

scholarships in an amount ranging between x and y per year; however, these amounts may change in future years and are subject to the discretion of the Selection Committee. In most cases, the scholarship funds will be delivered directly to the Educational Institution attended by the recipient. Such funds will be delivered after T receives a bill from the Institution establishing that the recipient is attending the Institution and is in good academic standing. In some cases, the scholarship funds may be delivered directly to the recipient. Such funds will be delivered only after the recipient provides evidence of enrollment, a copy of the invoice(s) to be paid, and all other information required from the recipient by the Selection Committee.

In order to be eligible to renew or extend an existing scholarship, a recipient must continue to be enrolled in an Educational Institution, must have furnished all required grade reports to T, and must not have been placed on academic probation or suspension by the Educational institution, as determined under the academic standards of the specific Educational Institution.

T shall maintain case histories describing scholarship recipients, including each recipient's name, address, the purpose of the award to the recipient, the amount of each grant, the manner of selection, and the recipients' relationship (if any) to officers, Board members, or donors to T. In addition, T will maintain records of all information related to each individual grant, including information obtained to evaluate the qualifications of potential grantees and all reports received pursuant to supervision procedures. The Selection Committee will require semester reports detailing the course work each recipient has completed (or has in progress) from the Educational Institution that the recipient is attending and, to the extent applicable, his or her performance in individual courses as indicated by the final grade in such course. If a recipient does not receive a final grade with respect to a particular study (e.g., the recipient is preparing a research paper or writing a doctoral thesis), the Selection Committee will obtain a brief report on the progress of the paper or project on an annual basis, which report must be approved by the faculty member supervising the recipient or by another appropriate university official. The Selection Committee will also require a final report upon the recipient's completion of study at the Educational Institution. All such reports must be verified by the Educational Institution.

In those cases where the scholarship funds are delivered directly to the individual recipient, if the Selection Committee received information, including the submitted reports described above (or the failure to submit such reports), that all or any part of the scholarship funds are not being used in the furtherance of the scholarship purposes, the Selection Committee shall take reasonable steps to investigate such information. During the course of this investigation, the Selection Committee shall withhold all further payments to that recipient. If the Selection Committee determines that any part of a scholarship has been used for improper purposes, the Selection Committee (1) shall take all reasonable steps either to recover the diverted financial aid funds or to ensure the restoration of the diverted funds and the dedication of other scholarship funds held by the recipient for the intended purposes of the scholarship; and (2) shall withhold any further payments to the recipient after the Selection Committee becomes aware that a diversion may have taken

place until the recipient has assured the Selection Committee that further diversion will not occur and the Selection Committee has required the recipient to take extraordinary precautions to prevent further diversions from occurring.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) **of the Code.** **This determination only covers the grant programs described above..** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements